

PART II

GUIDANCE AND PROCEDURES

CHAPTER 4: BUDGETING

4.1 GENERAL

The budget process consists of a combination of concepts and techniques previously discussed. In general, a tailored Supply Demand Review (SDR) for the item(s) in question will help ensure accurate budget projections. Inventory Managers (IMs) of NAVSEA material must make their inputs to budget call requests – either for repair or new procurements - as accurate and comprehensive as possible to substantiate the necessary funding. Due to the high dollar values inherent in NAVSEA material, reprogramming of funds to support unbudgeted or unforecasted demands is extremely difficult. IMs for NAVSEA 2S cog material will submit their budget inputs directly to NAVSEA 03F11 budget analysts. IMs for 2F and 2J cog material will respond to budget input requests from individual Program Offices. The following paragraphs provide a summary of the Department of Defense (DoD) Future Years Defense Program (FYDP) and Navy budget cycle, as well as IM budget responsibilities.

4.2 BUDGET OVERVIEW

4.2.1 Concept

The DoD Planning, Programming, and Budgeting System (PPBS), as discussed in DoD Instruction 7045.7, is an integrated multi-phased process for the establishment, maintenance, and revision of the DoD FYDP and the DoD budget.

In the planning phase of the PPBS, the military role and posture of the United States and the DoD in the world environment are examined, considering enduring national security objectives and the need for efficient management of resources. After assessing the world situation and the threat to the United States at prescribed future time periods, the technical capabilities required and the military strategy appropriate to counter perceived threats to the national security are determined.

In the programming phase, the resulting force concepts and objectives necessary to satisfy the nation's military strategy are translated into a definitive program structure by the DoD components. This structure is expressed in terms of time-phased resource requirements including personnel, monies, and material. The program period for financial and manpower resource costs is projected for six years into the future. The program period for the cost of forces is an additional three years.

The budgeting process is the final phase. The annual budget expresses the financial requirement necessary to support the approved defense programs developed during the planning and programming phases.

All budget submissions will be compiled within appropriate "accounts" representing specific material, programs or management entities involved. The requirements of NAVSEA material IMs will generally fall within one of the following categories:

- a. Shipbuilding and Conversion, Navy (SCN): Used for construction and initial outfitting of new ships as well as conversion and outfitting of in-service vessels.
- b. Weapons Procurement, Navy (WPN): Used for purchase of Ordnance, Ordnance Alterations, ammunition, etc.
- c. Other Procurement, Navy (OPN): Used to procure new material for Ship Alterations, Training, Allowance and other program needs, as well as specified maintenance requirements.
- d. Operations and Maintenance, Navy (O& MN): Used for repair efforts to satisfy both program and maintenance demands.

4.2.2 Phases

Figure 17 provides a summary of responsibilities for each major participant in the budget cycle. The following specific events apply:

- a. The IM develops projected requirements, prices them out and submits them (via the budget analyst for 2S cog or via the Program Office for 2F and 2J cog) to the Systems Command (SYSCOM) responsible for the appropriation (account) involved – i.e. NAVSEA in the case of 2F,J and S cog.
 - b. Each Navy SYSCOM reviews and consolidates its inputs. Their budgets are then further reviewed by program sponsors at the Chief of Naval Operations (CNO) Level. When approved, the various budgets are scheduled to go to the Office of the Assistant Secretary of the Navy (ASN), Financial Management and Comptroller (FMC) Office of Budget in the August time frame.
 - c. At the ASN FMC level budget inputs are reviewed in the light of guidance received from DoD and the Office of Management and Budget (OMB).
- (1) Budget hearings are subsequently held, attended by representatives of CNO, SYSCOMS, and other activities as appropriate.

(2) After cuts, reclaims, and final decisions, a budget is put into final form and is scheduled to be submitted to the Secretary of Defense in the October time frame.

d. The Secretary of Defense and OMB jointly review the budget with SYSCOMS, CNO and ASN FMC and make program decisions. The Navy accepts or reclaims those decisions. After DoD and OMB make final budget content decisions this budget, referred to as "The President's Budget," is then submitted to Congress in January approximately nine months prior to the start of the coming fiscal year which will be the budget's "execution year."

e. After Congressional review and hearings, funds are appropriated by the Congress. In doing so the amounts requested can be cut or increased. In any event the funds appropriated are those which Congress deigns to make available, and appropriation carries with it the authority to effect obligations.

f. Now the process reverses itself. The OMB is responsible for apportioning (generally on a quarterly basis) the funds to DoD and the Military Services.

g. Finally, DoD allocates funds to ASN FMC who, in turn, allocates to fund administering SYSCOMS including NAVSEA. Fund administering SYSCOMS subsequently provide obligation authority to their IMs.

MATERIAL FUNDING RESPONSIBILITY

FUNCTION	PO/IM/ICP	SYSKOM	CNO	ASN FMC	OSD	OMB	CONGRESS
PREPARE BUDGET REQUIREMENTS AND SUPPORTING DATA.	X						
REVIEW, APPROVE, DISAPPROVE, AND CONSOLIDATE SYSKOM REQUIREMENTS AND SUPPORT DATA.		X					
AS ABOVE FOR NAVY REQUIREMENTS.			X	X			
AS ABOVE FOR DoD REQUIREMENTS.						X	
REVIEW, APPROVE, DISAPPROVE DoD REQUIREMENTS. APPROPRIATE FUNDS.							X
APPORTION FUNDS TO DoD.						X	
APPORTION FUNDS TO NAVY					X		
APPORTION FUNDS TO SYSKOM				X			
ALLOT TO PO/IM/ICP		X					
PROCURE, REPAIR, ETC.	X						

Figure 17

4.2.3 IM Action

IMs of NAVSEA material may be required to prepare data for various budget submissions addressing the execution year {current Fiscal Year (FY)}, budget year (BY) {current FY+1}, Program Objectives Memorandum (POM) year {BY+1} and outyears {POM+4} as appropriate. However, primary emphasis will normally be placed on POM calculations. For the POM submission, detailed requirements are generally requested from the IM 6 to 12 months prior to BY inception. Additionally, from one to six months before the BY begins, an Apportionment Request is submitted to the various review levels for approval. Any revisions made since initial budget preparation must be identified and fully justified in this submission. IMs may have the opportunity to request reprogramming of fund levels while actually in the execution year via the Mid-Year Deficiency Review (MDR). These three events (POM, Apportionment Request and MDR) form the principal budget submission components. However, throughout this process IMs may also be called upon to perform various unscheduled budget drills to justify projected requirements, identify and substantiate deficiencies, and assist in preparing reclaims for any given FY.

As previously suggested, SDR can serve as a budgeting tool for IMs. The basis for this analysis - that is, the comparison of assets to requirements for a given FY - provides information fundamental to an accurate budget projection. In support of timely and accurate budget inputs, IMs are encouraged to perform tailored SDRs on a periodic basis or each time a significant change in asset/requirement status so dictates. The complexity of any SDR calculations required is dependent on the magnitude of recent changes in stock position as well as the specific fiscal year(s) for which projections are requested.

If inventory adjustment actions are identified, IMs will need to specify necessary repair/procurement dollar amounts to support desired stock levels. Depending on the account involved (i.e., O&MN vs. OPN), IMs may also be required to provide varying degrees of amplifying data. For repair dollars, inputs will be limited to estimated repair costs for any given fiscal year. If repair funds are appropriated, IMs will be called upon to specify repair sources, delivery time frames, etc. However, for procurement funds a more detailed request may be necessary since OPN dollars are programmed for specific end uses. In particular, IMs may need to identify National Stock Number (NSN) or Navy Item Control Number (NICN), ship class/hull number, SHIPALT number or other program identification, install date, quantities, estimated cost, etc.

If funding constraints are anticipated, IMs may also be required to sequence budget inputs to indicate relative importance of each line item. This prioritization should include analysis of the following:

- a. Nature of requirement (i.e., predicted demand vs. insurance purposes)
- b. Ship Class (Importance of ship mission)
- c. Item Class (Importance of item to ship mission)

Such determinations may relate to mission and item essentiality coding factors as described in NAVSEAINST 4441.11 [Mission Criticality Codes (MCCs) for Shipboard Use].

Finally, all requests may require justification at some point in the budget cycle. IMs must ensure that sufficient information (i.e., in the form of SDRs or related data) exists to substantiate requirements and prepare reclamation throughout the process.

4.3 PROGRAM SUPPORT DATA (PSD)

4.3.1 Concept

PSD is developed by NAVSEA to provide NAVICP with information necessary to prepare budgets supporting the acquisition of outfitting and Navy Supply System stock. PSD is also used within NAVSEA to develop secondary item budgets and back-up data for interim support, including On-Board Repair Parts (OBRPs), Installation and Checkout (INCO) spares and Maintenance Assistance Modules (MAMs) necessary prior to Material Support Date. Complete and up-to-date PSD is, therefore, essential if optimum supply support is to be a reality for the Fleet.

4.3.2 Situations Requiring PSD Submission

Specific situations necessitating PSD submission include the following:

a. New Procurements. PSD should be prepared and forwarded for all planned end item procurements as soon as an item has been identified in the FYDP and programmed quantities for acquisition have been determined. Only those end items or systems that will not require secondary item support from any source, throughout the life cycle, are exempt from this requirement.

b. Engineering Changes and Alterations. All types of authorized Class I engineering changes (engineering changes, field changes, Ordnance Alterations, special project alterations and Machinery Alterations) and other modifications to equipments, including fully supported SHIPALTs, will be documented on new PSD if the engineering change or modification changes or deletes any support item in the supply system or will add new secondary items to the equipment.

c. Planning Revisions. When changes occur that affect the end item procurement (i.e., changes in quantities, costs, or installation schedules), the previously submitted PSD will be reviewed and updated.

d. Procurement Termination. NAVICP proceeds with the provisioning of an item based on the last PSD received. If a program is terminated prematurely, the HSC equipment program manager must update and relay revised PSD to NAVICP as soon as possible. This action is necessary to preclude the procurement of secondary items that would be in excess of need.

4.3.3 PSD Process

The PSD process begins with the Ship's Program Manager (SPM). Whether in new construction contracts or in a ship's operational phase, the SPM must first issue a Ship's Project Directive (SPD) to the equipment acquisition managers known as Participating Managers (PARMs). The SPM uses the SPD to tell the PARMs that their equipment will be installed onboard those ships for which the SPM is responsible. The SPD is also the document by which funds pass from the SPM to the PARM. As part of their budgeting and planning process the PARMs prepare the PSD information as directed by the SPD. The PSD information is then entered into the PSD Automated Reporting and Tracking System (PARTS). At that point, the information becomes available to all those who have a need to access it - the SPM, the PARMs, and the NAVICP IMs.

PARTS is the official database in which PSD resides. NAVSEA 04 is responsible for the management of PARTS and is also the database administrator. PARTS was originally implemented on an IBM computer at NAVSEA Headquarters. It is now accessed via telnet session to a Unix host at NAVSEALOGCEN DETLANT.

Program Support Data "sheets" are the vehicle for providing program acquisition and logistics planning data for Hardware Systems Command (HSC) systems/equipment, upon which the spare parts budgets are based. Every PSD "sheet" consists of NAVSUP Forms 1390, HSC End Item Program Support Data (Figure 18), and 1390/1, Equipment Installation Data (Figure 19). Some PSD will also require NAVSUP Form 1392, HSC Secondary Item Funding (Figure 20). Whether the PSD requires Form 1392 depends on the "MAMs," "NCO," and "OBRP" questions answered in the End Item Logistics Data Section of the NAVSUP Form 1390. If any of these questions are answered "YES," NAVSUP Form 1392 is required. If any of the three are required, they must be included in the budget. NAVICP plans and budgets for secondary items/spares when NAVSUP Form 1390 indicates NAVICP support is required. NAVICP completes NAVSUP Form 1391 (Figure 21), which is applicable only to the ICP program manager. Figures 18 –21 include sample data for illustrative purposes.

4.3.4 IM Action

IMs may be requested by Program Offices to review and/or update PSD sheet sections to ensure accuracy of procurement and installation data. Specific data entry instructions are provided in NAVSUPINST 4420.36 (Program Support Data (PSD) for Interim, Initial and Follow-on Secondary Item Requirements) or may be found on the Naval Sea Logistics Center's website at www.nslc.fmso.navy.mil.

**END ITEM PROGRAM SUPPORT DATA
(HARDWARE SYSTEMS COMMAND)**

___ POM	SERIAL NO. (14): <u>SEA-123-400-041-16</u>
___ BUDGET/REAPPORTIONMENT	ORIGINAL DATE (11): _____
___ APPORTIONMENT/MIDYEAR	PSD REVISED DATE (11): _____
	NAVSUP 1390 REVISED DATE (11): _____

I. END ITEM BUDGET AND ACQUISITION DATA																											
EQUIPMENT NOMENCLATURE (30): AN/SPS-67				EIC (7): P16A		WAPONS SYS (15): RADAR				OPNAV SPON (5): OP-05																	
FMPMIS MATERIAL ID (30):				SBMD (4): 02LL		PROJECT UNIT LL001		NARM (6):		UNIT COST (8): (\$000) 3250		FY 2 99															
PROJECT OFFICE (15): SEA-1234				P-1 LINE TITLE (52): AN/SPS-67 RADAR																							
PROCUREMENT PLAN (QUANTITY) (LIMIT OUTYEARS TO FYDP)																											
APP (3)	INV. OBJ (6)	PRIOR YRS (6)	FY94 (5)	FY95 (5)	FY96 (5)	FY97 (5)	FY98 (5)	FY99 (5)	FY00 (5)	FY01 (5)	FY02 (5)	OUT (5)															
OPN	5	0	0	0	0	0	0	2	2	1	0	0															
SCN	1	0	0	0	0	0	0	1	0	0	0	0															
II. END ITEM CONTRACT DATA																											
PRIME CONTRACTOR (30): SPERRY				EA/OE DATE (5): 03/99				EQUIPMENT PLT (2): 12																			
CONTRACT NUMBER (22): TBD				PROCUREMENT DOD ID (22): N00024-PI-99-2345				EST PTD DEL DATE: (4) 01/99																			
PROCURING ACTIVITY (30): NAVSEA							NAVICP SUPPORT REQUIRED (Y/N) Y																				
III. END ITEM LOGISTICS DATA																											
ILS PLAN																											
EXPECTED DATE (4): 02/99				PROPOSED MATERIAL SUPPORT DATE (4): 11/01																							
NUMBER (15): 34345				MATERIAL SUPPORT DATE (4): 04/02																							
				NAVY SUPPORT DATE (4): 10/02																							
				MAMS FUNDING REQUIRED PER MAINTENANCE PLAN (1): YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>																							
LEVEL OF REPAIR (1): INTERMEDIATE _____ DEPOT <input checked="" type="checkbox"/>				INCO FUNDING REQUIRED (1): YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>																							
SOURCE OF REPAIR (30): NAVY _____ COMMERCIAL SPERRY				DS/OBRP FUNDING REQUIRED (1): YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>																							
BRIEF EQUIPMENT DESCRIPTION (100): THIS PSD IS FOR TRAINING PURPOSES ONLY.																											
COMMENTS (350)																											
<table border="0"> <tr> <td>HSC PROGRAM MGR:</td> <td>NAME (10): <u>DOE, J.</u></td> <td>CODE (15): <u>SEA-1234</u></td> <td>COM: <u>703-602-1234</u></td> <td>AV: <u>332-1234</u></td> </tr> <tr> <td>ICP PROGRAM MGR:</td> <td><u>SMITH, A.</u></td> <td><u>4321</u></td> <td>BLDG: <u>NC2</u></td> <td>ROOM: <u>5W24</u></td> </tr> <tr> <td>NAVSUP 1390</td> <td></td> <td></td> <td>AV: <u>430-1234</u></td> <td></td> </tr> </table>													HSC PROGRAM MGR:	NAME (10): <u>DOE, J.</u>	CODE (15): <u>SEA-1234</u>	COM: <u>703-602-1234</u>	AV: <u>332-1234</u>	ICP PROGRAM MGR:	<u>SMITH, A.</u>	<u>4321</u>	BLDG: <u>NC2</u>	ROOM: <u>5W24</u>	NAVSUP 1390			AV: <u>430-1234</u>	
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NAVSUP 1390			AV: <u>430-1234</u>																								

Figure 18

SERIAL NO. (14): SEA-123-400-041-16
EQUIP NOM (30): AN-SPS-67

IV. EQUIPMENT INSTALL DATA IN CHRONOLOGICAL ORDER BY MATERIAL REQUIRED DATE										ORIGINAL DATE (11): _____ PSD REVISED DATE (11): _____ NAVSUP 1390/1 REVISED DATE (11): _____		
FY BUDGET		INSTALLATION SITE/HULL	UIC	ALT NO.	EOP PER INS	INS START DATE	MRD DATE	POC DATE	INSTALL ACTIV	BUDGET FACTORS		
H S C	I C P									S R C I	A T C (3)	U T C I
2	2	(30)	(5)	(5)	(4)	MO/YR (5)	MO/YR (5)	MO/YR (5)	(8)			
		DDG 77	52811		0001	03/99	04/99	10/99	EIT		00A	B
		LHA 5	02468		0001	05/99	06/99	11/99	EIT		003	B
		CG48	21225		0001	07/99	08/99	12/99	EIT		003	B
		DDG 78	52812		0001	10/99	11/99	02/00	EIT		003	B
		DD997	21416		0001	12/99	01/00	04/00	EIT		003	B
		NTTC NORFOLK	90060		0001	11/00	11/00	12/00	EIT		003	B

OVERHAUL SCHEDULE USED MO/YR (4): 01/99
HSC SCHEDULE USED MO/YR (4): 01/99

(OPNAV 4720 SERIES)
(NAVSEA 250-574)

NAME (10) CODE (15)
HSC PROGRAM MGR: DOE, J. SEA-1234
ICP PROGRAM MGR: _____

COM: 703-602-1234 AV: 332-1234
BLDG: NC2 ROOM: 5W24
AV: _____

RUN DATE AND TIME

Figure 19

HSC SECONDARY ITEM FUNDING REQUIREMENTS

X POM

___ BUDGET/REAPPORTIONMENT

___ APPORTIONMENT/MIDYEAR

SERIAL NO. (14): SEA-123-400-041-16

EQUIP NOM (30): AN-SPS-67

WEAPONS SYSTEM (15): RADAR

SPARES PLT; (2): 10

SPARES SUBHEAD: 88JC

MSD (4): _____

SPARES ALT (2): 02

FUNDING REQUIREMENTS (\$000)

NAVSUP 1392

REVISED DATE (11): _____

FY 97						
APN/OPN/WPN			SCN			
	QTY (3)	AMOUNT (6)	XUC (2)	QTY (3)	AMOUNT (6)	XUC (2)
DEPOT						
OBRP						
I&C (I)						
I&C (R)						
MAMS						
TOTAL						

(4) INST ACTS _____

INST ACTS _____

(4) OPR EQUIP _____

OPR EQUIP _____

FY 98						
APN/OPN/WPN			SCN			
	QTY (3)	AMOUNT (6)	XUC (2)	QTY (3)	AMOUNT (6)	XUC (2)

INST ACTS _____

INST ACTS _____

OPR EQUIP _____

OPR EQUIP _____

FY 99						
APN/OPN/WPN			SCN			
	QTY (3)	AMOUNT (6)	XUC (2)	QTY (3)	AMOUNT (6)	XUC (2)
DEPOT						
OBRP	3	147.0	15			
I&C (I)	1	33.0	3			
I&C (R)						
MAMS	3	99.0	10			
TOTAL	XXX	279.0	XXX			

(4) INST ACTS 1

INST ACTS _____

(4) OPR EQUIP 3

OPR EQUIP _____

FY 00						
APN/OPN/WPN			SCN			
	QTY (3)	AMOUNT (6)	XUC (2)	QTY (3)	AMOUNT (6)	XUC (2)
(98)	34.0					
XXX	34.0		XXX			

INST ACTS _____

INST ACTS _____

EQUIP _____

OPR EQUIP _____

FY 01						
APN/OPN/WPN			SCN			
	QTY (3)	AMOUNT (6)	XUC (2)	QTY (3)	AMOUNT (6)	XUC (2)
DEPOT	(98)	54.0	5			
OBRP	1	49.0	15			
I&C (I)				1	33.0	10
I&C (R)	1	20.0	3			
MAMS	2	66.0	10	1	33.0	10
TOTAL	XXX	189.0	XXX	XXX	66.0	XXX

(4) INST ACTS 1

INST ACTS _____

(4) OPR EQUIP 1

OPR EQUIP _____

FY 02						
APN/OPN/WPN			SCN			
	QTY (3)	AMOUNT (6)	XUC (2)	QTY (3)	AMOUNT (6)	XUC (2)

INST ACTS _____

INST ACTS _____

OPR EQUIP _____

OPR EQUIP _____

HSC PROGRAM MGR:

NAME (10) DOE, J.

CODE (15) SEA-1234

COM: 703-602-1234

AV: 332-1234

ICP PROGRAM MGR:

SMITH, A.

4321

BLDG: NC2

ROOM: 5W24

AV: 430-1234

NAVSUP 1392

RUN DATE AND TIME

Figure 20

NAVICP SECONDARY ITEM BUDGET DATA						DATE:	
SERIAL NUMBER : <u>SEA-123-400-041-16</u> EQUIPMENT NOMEN : <u>AN-SPS-67</u> BUDGET SUBMIT : <u>BAM 01</u>						NAVICP PGM MGR : <u>LINDA DAVIS</u> CODE : <u>84231B</u> PHONE (DSN) : <u>430-4683</u>	
V. TOTAL ICP FUNDING REQUIREMENTS FOR FY 01							
MATERIAL CATEGORY		SYSTEM STOCK		ALLOWANCES FOO NEW		MAMS/INCOS	TOTAL
DLRS							
CONSUMABLES							
VI. ICP REQUIREMENTS DETERMINATION							
						Prior YR Stock DLR: _____ (\$K) Prior YR Stock CON: _____ (\$K)	
		SYS STK	ALLOWANCES 5 FLSIP ACIM/RBS TRID/CONV			SYS STK Offset DLR: _____ (\$K) SYS STK Offset CON: _____ (\$K)	
TOTAL COST	DLR					Inst. Not On 1390/1: _____	
	CONS					Basis of Cost Est: _____	
# OF EQUIP	SCN	(TWAMP)				End Item Unit Cost : _____ (K)	
	OPN					Prod Lead Time : _____ (mos)	
	OTHER					Review Cycle Begin : ____/____	
COST OF EACH	DLR					Type Buy : _____	
	CONS					Procurement Type : _____	
% OF EIC	DLR					PTD Delivery : ____/____	
	CONS					Obligation Data : ____/____	
						Material Delivery : ____/____	
COMMENTS NAVSUP 1391							

Figure 21